

Paul Introduces Honest Money Act

Washington, DC- Congressman Ron Paul, a leading advocate of sound money policies and an outspoken critic of the Federal Reserve, recently introduced legislation to repeal legal tender laws. The Honest Money Act, HR 2779, would eliminate forced tender laws that compel Americans to accept fiat irredeemable paper-ticket or electronic money as their unit of account.

Absent government intervention through legal tender laws, individuals acting through the market decide what they will use as money. Historically, the free market has chosen some combination of gold and silver whenever they were available. As Dr. Edwin Vieira, the nation's top expert on constitutional money, stated: "A free market functions most efficiently and most fairly when the market determines the quality and the quantity of money that's being used."

When government creates fiat money out of thin air, the purchasing power of existing dollars falls. Fiat money erodes the value of savings, and is especially harmful to those living on fixed incomes. Paul believes centralized planning in monetary affairs is as harmful as centralized planning in economic affairs.

"Fiat money is widely accepted only because of legal tender laws," Paul stated. "Throughout the 20th century, the legal tender power enabled politicians to fool the American public into believing the dollar no longer meant a weight of gold or silver. Instead, the government told the people that the dollar now meant a piece of government-issued paper backed up by nothing except the promises of the government to maintain a stable value of currency. Of course, history shows that the word of the government (to protect the value of the dollar) is literally not worth the paper it is printed on."

"While legal tender laws harm ordinary citizens, they work to the advantage of large banks," Paul continued. "Banks have been improperly granted the special privilege of creating fiat irredeemable electronic money out of thin air through fractional reserve lending. According to the Federal Reserve, since 1950 these private companies (banks) have created almost \$8

trillion out of nothing. This has been enormously advantageous to them.”

Repeal of legal tender laws will help restore constitutional government and protect the people’s right to a medium of exchange chosen by the market, thereby protecting their current purchasing power as well as their pensions, savings, and other promises of future payment. Honest money serves the needs of ordinary people; fiat irredeemable paper-ticket electronic money improperly transfers the wealth of society to a small privileged financial elite. Paul’s legislation simply seeks to offer Americans a choice between fiat money and traditional stores like gold and silver.